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REFERENCE TITLE: marriage penalty elimination; tax credits.

State of Arizona
House of Representatives
Forty-seventh Legislature
First Regular Session
2005

HB 2379

Introduced by
Representatives Yarbrough, Allen J, Barnes, Biggs, Boone, Gorman, Gray C,
Huffman, Knaperek, Murphy, Pearce, Rosati, Smith, Stump, Senators Gray,
Huppenthal, Jarrett, Johnson, Martin: Representatives Anderson,
Konopnicki, Nichols, Nelson, Pierce, Quelland, Reagan, Robson, Tully,
Weiers JP, Senators Tibshraeny, Harper, Verschoor

AN ACT

AMENDING SECTIONS 43-223, 43-1088, 43-1089 AND 43-1089.01, ARIZONA REVISED
STATUTES; RELATING TO INDIVIDUAL INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-223, Arizona Revised Statutes, is amended to
3 read:

4 43-223. Requirements for new income tax credits established by
5 the legislature

6 Any new individual or corporate income tax credit that is enacted by
7 the legislature shall include in its enabling legislation:

8 1. A specific review year for the joint legislative income tax credit
9 review committee to review the credit. The specific review year shall be the
10 fifth full calendar year following the date the credit is enacted.

11 2. A purpose clause that explains the rationale and objective of the
12 tax credit.

13 3. A CREDIT AMOUNT FOR MARRIED COUPLES THAT IS TWICE THE AMOUNT
14 ALLOWED FOR SINGLE INDIVIDUALS OR HEADS OF HOUSEHOLD WHEN THE CLAIMANTS FOR
15 AN INDIVIDUAL CREDIT ARE SINGLE INDIVIDUALS, HEADS OF HOUSEHOLD AND MARRIED
16 COUPLES. THIS PARAGRAPH APPLIES TO LEGISLATION ENACTED FROM AND AFTER
17 DECEMBER 31, 2005.

18 Sec. 2. Section 43-1088, Arizona Revised Statutes, is amended to read:

19 43-1088. Credit for contribution to charitable organization
20 that provides assistance to the working poor;
21 definitions

22 A. For taxable years beginning from and after December 31, 1997, a
23 credit is allowed against the taxes imposed by this title for voluntary cash
24 contributions made by the taxpayer during the taxable year to a qualifying
25 charitable organization as determined pursuant to subsection E of this
26 section, but not exceeding:

27 1. Two hundred dollars in any taxable year ~~FOR A SINGLE INDIVIDUAL OR~~
28 ~~A HEAD OF HOUSEHOLD.~~

29 ~~2. The two hundred dollar limitation applies to taxpayers who elect to~~
30 ~~file a joint return for the taxable year. FOUR HUNDRED DOLLARS IN ANY TAXABLE~~
31 ~~YEAR FOR A MARRIED COUPLE FILING A JOINT RETURN.~~ A husband and wife who file
32 separate returns for a taxable year in which they could have filed a joint
33 return may each claim only one-half of the tax credit that would have been
34 allowed for a joint return.

35 B. If the allowable tax credit exceeds the taxes otherwise due under
36 this title on the claimant's income, or if there are no taxes due under this
37 title, the taxpayer may carry forward the amount of the claim not used to
38 offset the taxes under this title for not more than five consecutive taxable
39 years' income tax liability.

40 C. The credit allowed by this section is in lieu of a deduction
41 pursuant to section 170 of the internal revenue code and taken for state tax
42 purposes.

43 D. Taxpayers taking a credit authorized by this section shall provide
44 the name of the qualifying charitable organization and the amount of the
45 contribution to the department of revenue on forms provided by the
46 department.

1 E. The credit under this section applies only to contributions to
 2 qualifying charitable organizations that exceed the total amount deducted
 3 pursuant to section 170 of the internal revenue code in the taxpayer's
 4 baseline year. The taxpayer's baseline year is:

5 1. The 1996 taxable year if the taxpayer deducted charitable
 6 contributions pursuant to section 170 of the internal revenue code in the
 7 1996 taxable year.

8 2. If the taxpayer did not deduct charitable contributions pursuant to
 9 section 170 of the internal revenue code in the 1996 taxable year, the
 10 taxpayer's baseline year is the first taxable year after 1996 that the
 11 taxpayer deducted charitable contributions pursuant to section 170 of the
 12 internal revenue code.

13 F. A qualifying charitable organization shall provide the department
 14 of revenue with a written certification that it meets all criteria to be
 15 considered a qualifying charitable organization. The organization shall also
 16 notify the department of any changes that may affect the qualifications under
 17 this section. The department shall compile and make available to the public
 18 a list of the qualifying organizations.

19 G. For THE purposes of this section:

20 1. "Low income ~~individuals~~ RESIDENTS" means persons whose household
 21 income is less than one hundred fifty per cent of the federal poverty level.

22 2. "Qualifying charitable organization" means a charitable
 23 organization that is exempt from federal income taxation under section
 24 501(c)(3) of the internal revenue code or is a designated community action
 25 agency that receives community services block grant program monies pursuant
 26 to 42 United States Code section 9901. The organization must spend at least
 27 fifty per cent of its budget on services to residents of this state who
 28 receive temporary assistance for needy families benefits or low income
 29 residents of this state and their households. Taxpayers choosing to make
 30 donations through an umbrella charitable organization that collects donations
 31 on behalf of member charities shall designate that the donation be directed
 32 to a member charitable organization that would qualify under this section on
 33 a stand-alone basis.

34 3. "Services" means cash assistance, medical care, child care, food,
 35 clothing, shelter, job placement and job training services or any other
 36 assistance that is reasonably necessary to meet immediate basic needs and
 37 that is provided and used in this state.

38 Sec. 3. Section 43-1089, Arizona Revised Statutes, is amended to read:

39 43-1089. Credit for contributions to school tuition
 40 organization; definitions

41 A. A credit is allowed against the taxes imposed by this title for the
 42 amount of voluntary cash contributions made by the taxpayer during the
 43 taxable year to a school tuition organization, but not exceeding:

44 1. Five hundred dollars in any taxable year for a single individual or
 45 a head of household.

1 2. ~~Six hundred twenty five~~ ONE THOUSAND dollars in any taxable year
2 for a married couple filing a joint return. A husband and wife who file
3 separate returns for a taxable year in which they could have filed a joint
4 return may each claim only one-half of the tax credit that would have been
5 allowed for a joint return.

6 B. If the allowable tax credit exceeds the taxes otherwise due under
7 this title on the claimant's income, or if there are no taxes due under this
8 title, the taxpayer may carry the amount of the claim not used to offset the
9 taxes under this title forward for not more than five consecutive taxable
10 years' income tax liability.

11 C. The credit allowed by this section is in lieu of any deduction
12 pursuant to section 170 of the internal revenue code and taken for state tax
13 purposes.

14 D. The tax credit is not allowed if the taxpayer designates the
15 taxpayer's donation to the school tuition organization for the direct benefit
16 of any dependent of the taxpayer.

17 E. A school tuition organization that receives a voluntary cash
18 contribution pursuant to subsection A shall report to the department, in a
19 form prescribed by the department, by February 28 of each year the following
20 information:

21 1. The name, address and contact name of the school tuition
22 organization.

23 2. The total number of contributions received during the previous
24 calendar year.

25 3. The total dollar amount of contributions received during the
26 previous calendar year.

27 4. The total number of children awarded educational scholarships or
28 tuition grants during the previous calendar year.

29 5. The total dollar amount of educational scholarships and tuition
30 grants awarded during the previous calendar year.

31 6. For each school to which educational scholarships or tuition grants
32 were awarded:

33 (a) The name and address of the school.

34 (b) The number of educational scholarships and tuition grants awarded
35 during the previous calendar year.

36 (c) The total dollar amount of educational scholarships and tuition
37 grants awarded during the previous calendar year.

38 F. For the purposes of this section:

39 1. "Handicapped student" means a student who has any of the following
40 conditions:

41 (a) Hearing impairment.

42 (b) Visual impairment.

43 (c) Preschool moderate delay.

44 (d) Preschool severe delay.

45 (e) Preschool speech or language delay.

2. "Qualified school" means a nongovernmental primary school or secondary school or a preschool for handicapped students that is located in this state, that does not discriminate on the basis of race, color, handicap, familial status or national origin and that satisfies the requirements prescribed by law for private schools in this state on January 1, 1997.

3. "School tuition organization" means a charitable organization in this state that is exempt from federal taxation under section 501(c)(3) of the internal revenue code and that allocates at least ninety per cent of its annual revenue for educational scholarships or tuition grants to children to allow them to attend any qualified school of their parents' choice. In addition, to qualify as a school tuition organization the charitable organization shall provide educational scholarships or tuition grants to students without limiting availability to only students of one school.

Sec. 4. Section 43-1089.01, Arizona Revised Statutes, is amended to read:

43-1089.01. Tax credit; public school fees and contributions; definitions

A. A credit is allowed against the taxes imposed by this title for the amount of any fees or cash contributions made by a taxpayer during the taxable year to a public school located in this state for the support of extracurricular activities or character education programs of the public school, but not exceeding:

1. Two hundred dollars for a single individual or a head of household.

2. ~~Two~~ **FOUR** hundred ~~fifty~~ dollars for a married couple filing a joint return. A husband and wife who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half of the tax credit that would have been allowed for a joint return.

B. The credit allowed by this section is in lieu of any deduction pursuant to section 170 of the internal revenue code and taken for state tax purposes.

C. If the allowable tax credit exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the taxpayer may carry the amount of the claim not used to offset the taxes under this title forward for not more than five consecutive taxable years' income tax liability.

D. The site council of the public school that receives contributions that are not designated for a specific purpose shall determine how the contributions are used at the school site. If a charter school does not have a site council, the principal, director or chief administrator of the charter school shall determine how the contributions that are not designated for a specific purpose are used at the school site.

E. A public school that receives fees or a cash contribution pursuant to subsection A of this section shall report to the department, in a form prescribed by the department, by February 28 of each year the following information:

1 1. The total number of fee and cash contribution payments received
2 during the previous calendar year.

3 2. The total dollar amount of fees and contributions received during
4 the previous calendar year.

5 3. The total dollar amount of fees and contributions spent by the
6 school during the previous calendar year, categorized by specific
7 extracurricular activity or character education program.

8 4. The total number of children who participated in each
9 extracurricular activity or character education program funded by the fees or
10 contributions during the previous calendar year, categorized by specific
11 extracurricular activity or character education program.

12 F. For the purposes of this section:

13 1. "Character education programs" means a program described in section
14 15-719.

15 2. "Extracurricular activities" means school sponsored activities that
16 require enrolled students to pay a fee in order to participate including fees
17 for:

18 (a) Band uniforms.

19 (b) Equipment or uniforms for varsity athletic activities.

20 (c) Scientific laboratory materials.

21 (d) In-state or out-of-state trips that are solely for competitive
22 events. Extracurricular activities ~~does~~ DO not include any senior trips or
23 events that are recreational, amusement or tourist activities.